

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

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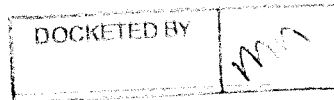
TO: THE COMMISSION

2012 APR -9 A 8:17

FROM: Utilities Division

APR - 9 2012

DATE: April 6, 2012



AZ CORP COMMISSION
DOCKET CONTROL

RE: ARIZONA PUBLIC SERVICE COMPANY – APPLICATION FOR APPROVAL OF A TIME EXTENTION FOR THE RESIDENTIAL CRITICAL PEAK PRICING PROGRAM (DOCKET NO. E-01345A-11-0250)

On June 24, 2011, Arizona Public Service Company (“APS” or “Company”) filed an application for approval of a two-year time extension for residential customers who participate in the Critical Peak Pricing Program (“Program”) and the associated Rate Schedule CPP-RES. On March 19, 2012, APS revised its request to also extend the time on the Critical Peak Pricing Program for general service customers and the associated Rate Schedule CPP-GS.

This optional Program applies during the summer months of June through September. The Program’s pricing provisions in Rate Schedule CPP-RES and Rate Schedule CPP-GS provide an incentive for participating customers to reduce their usage during APS’ most critical hours, when load is more difficult and/or expensive to serve.

Under the Program, participating customers pay a premium for service purchased during a Critical Peak Price Event (“CPP Event”). These events may be invoked by the Company during the months of June through September between 2:00 p.m. and 7:00 p.m. on weekdays (Monday through Friday), excluding the Independence Day (July 4) and Labor Day holidays. CPP Events can be triggered by severe weather, high load, high wholesale prices, or a major generation or transmission outage, as determined by APS. APS invokes a minimum of 6 and a maximum of 18 CPP Events per calendar year, for five hours per event and 90 hours per year. Customers are notified of the CPP events in advance by 4:00 p.m. on the day prior to the CPP Event. As a reward for their willingness to pay a price premium for service during CPP Events, participating customers receive a price discount for total monthly kWh used during June through September. Participating customers can see net savings on their bills if they are able to sufficiently control usage during CPP events.

An average of 683 residential customers participated in the Program in 2010 and 699 in 2011 for the June through September period. Six CPP Events were invoked in 2010 and 12 in 2011. With the exception of one customer, all residential participants saved money on their June through September bills. APS is still analyzing the 2011 residential data.

APS has provided to Staff data on the costs and benefits of the Program for residential customers. The most significant benefit is the value of capacity deferral, which derives from an average per residential customer load reduction of 0.91 kW for 2010 and 0.81 kW for 2011. This

benefit alone is valued at over \$100 per year for each kW reduced, which value exceeds the incremental costs of the Program. The average net benefit (benefit less incremental costs) per participating residential customer exceeds the discounts for these participants. The Program requires an Advanced Metering Infrastructure meter (smart meter).

Currently, no General Service customers are participating in the Critical Peak Pricing Program. APS has recommended that the Program be extended for General Service customers because several General Service customers are now expressing an interest in participating in the Program.

Recommendation

Staff recommends approval of an extension for the Critical Peak Pricing Programs for both residential (CPP-RES) and General Service (CPP-GS) customers. APS recommends that the extension continue until the next general rate case or January 1, 2016, whichever is later. Rather than specifying the length of the extension, Staff recommends the programs (residential and general service) be evaluated separately and that they continue until further order of the Commission. At a minimum, Staff will evaluate these programs during APS' next general rate case. Additionally, Staff recommends that APS file a report evaluating the costs and benefits of each program each May, beginning 2013 (for the previous summer season).



Steven M. Olea
Director
Utilities Division

SMO:DBE:lhms/SH

ORIGINATOR: Bentley Erdwurm

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE

Chairman

3 BOB STUMP

Commissioner

4 SANDRA D. KENNEDY

Commissioner

5 PAUL NEWMAN

Commissioner

6 BRENDA BURNS

Commissioner

7
8 IN THE MATTER OF THE APPLICATION
9 OF ARIZONA PUBLIC SERVICE
10 COMPANY FOR APPROVAL OF A TIME
11 EXTENTION FOR THE RESIDENTIAL
12 CRITICAL PEAK PRICING PROGRAM

DOCKET NO. E-01345A-11-0250

DECISION NO. _____

ORDER

13 Open Meeting
14 April 24 and 25, 2012
15 Phoenix, Arizona

16 BY THE COMMISSION:

17 FINDINGS OF FACT

18 1. Arizona Public Service Company ("APS" or "Company") is engaged in providing
19 electric service within Arizona, pursuant to authority granted by the Arizona Corporation
20 Commission ("Commission" or "ACC").

21 2. On June 24, 2011, APS filed an application for approval of a two-year time
22 extension for residential customers who participate in the Critical Peak Pricing Program
23 ("Program") and the associated Rate Schedule CPP-RES. On March 19, 2012, APS revised its
24 request to also extend the time on the Critical Peak Pricing Program for general service customers
25 and the associated Rate Schedule CPP-GS.

26 3. This optional Program applies during the summer months of June through
27 September. The Program's pricing provisions in Rate Schedule CPP-RES and Rate Schedule
28 CPP-GS provide an incentive for participating customers to reduce their usage during APS' most
critical hours, when load is more difficult and/or expensive to serve.

1 4. Under the Program, participating customers pay a premium for service purchased
2 during a Critical Peak Price Event ("CPP Event"). These events may be invoked by the Company
3 during the months of June through September between 2:00 p.m. and 7:00 p.m. on weekdays
4 (Monday through Friday), excluding the Independence Day (July 4) and Labor Day holidays. CPP
5 Events can be triggered by severe weather, high load, high wholesale prices, or a major generation
6 or transmission outage, as determined by APS. APS invokes a minimum of 6 and a maximum of
7 18 CPP Events per calendar year, for five hours per event and 90 hours per year. Customers are
8 notified of the CPP events in advance by 4:00 p.m. on the day prior to the CPP Event. As a reward
9 for their willingness to pay a price premium for service during CPP Events, participating
10 customers receive a price discount for total monthly kWh used during June through September
11 Participating customers can see net savings on their bills if they are able to sufficiently control
12 usage during CPP events.

13 5. An average of 683 residential customers participated in the Program in 2010 and
14 699 in 2011 for the June through September period. Six CPP Events were invoked in 2010 and 12
15 in 2011. With the exception of one customer, all residential participants saved money on their
16 June through September bills. APS is still analyzing the 2011 residential data.

17 6. APS has provided to Staff data on the costs and benefits of the Program for
18 residential customers. The most significant benefit is the value of capacity deferral, which derives
19 from an average per residential customer load reduction of 0.91 kW for 2010 and 0.81 kW for
20 2011. This benefit alone is valued at over \$100 per year for each kW reduced, which value
21 exceeds the incremental costs of the Program. The Program requires an Advanced Metering
22 Infrastructure meter.

23 7. The average net benefit (benefit less incremental costs) per participating residential
24 customer exceeds the discounts for these participants.

25 8. Currently, no General Service customers are participating in the Critical Peak
26 Pricing Program. APS has recommended that the Program be extended for General Service
27 customers because several General Service customers are now expressing an interest in
28 participating in the Program.

CONCLUSIONS OF LAW

3. The Commission, having reviewed the Application and Staff's Memorandum dated April 6, 2012, concludes that it is in the public interest to approve extensions to the Residential and General Service Critical Peak Pricing Programs, as discussed herein.

ORDER

IT IS FURTHER ORDERED that Arizona Public Service Company shall file a report evaluating the costs and benefits of each Critical Peak Pricing Program each May, beginning 2013 (for the previous summer season).

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2012

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:DBE:lhms\SH

1 SERVICE LIST FOR: Arizona Public Service Company
2 DOCKET NO. E-01345A-11-0250

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5 Pinnacle West Capital Corporation
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7 Phoenix, Arizona 85004

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9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

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